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# Hong Kong

# Livestock and Products

# Annual

# 2002

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**Report Highlights**:
Local demand for beef remains sluggish, but the huge demand from China has contributed to growth in overall demand. In light of rising demand on the Mainland, and Hong Kong's continued role as an entrepot, Hong Kong's import of US beef is likely to rebound and possibly grow as much as 30%, and reach 12,627 MT in CY2002. For pork, local demand remains strong but the demand from China is declining, possibly due to overstock in China and keen price competition. China lifted the export quota of chilled and frozen meat to Hong Kong in January 2002. It is expected that competition from Chinese chilled pork will negatively affect Hong Kong's import of US pork. Hong Kong's import of US pork is expected to decline as much as 30%, to approximately 5,000MT in CY2002.

Includes PSD changes: Yes
Includes Trade Matrix:Yes
Annual Report
Hong Kong [HK1], HK

**Table of Contents**

## Situation and Outlook

For the first four months of 2002, Hong Kong's retained imports of beef dropped 3% to 14,026MT. For the same period, re-exports of beef increased 120% to 3,804MT. Hong Kong imports of US beef were very strong in 2000 because of relatively low prices. Higher prices in 2001 led to a decline in US beef imports by 18%. For the first four months of 2002, average prices for US beef dropped by 13%. Given the lower prices for US beef and the increased demand from China, Hong Kong's import of US beef is likely to rebound and possibly grow by as much as 30%, and reach 12,627 MT by the end of CY2002. US chilled beef continues to enjoy an excellent reputation among local caterers, but its higher prices have hindered the spread of its consumption to more dining outlets beyond fine dining restaurants. The US has already established its status as a major supplier of short plate for hot pots in both Hong Kong and Mainland China. Importation of this very popular item is expected to remain strong.

US pork constituted approximately 3% of Hong Kong's pork imports. US pork loins are considered very expensive relative to pork imported from Mainland China. Like chilled beef, US pork is consumed mainly in five-star hotels. China lifted the export quota of chilled and frozen meat to Hong Kong in January 2002. It is expected that decreased local demand and competition from Chinese chilled pork will further negatively impact Hong Kong's import of US pork. Hong Kong's import of US pork is forecast to drop by 30% to approximately 5,000 MT in CY2002.

US beef and pork offal imports will continue to grow in 2002 because of the huge demand in Mainland China. China has been enforcing its ban on meat products from South America and Europe over disease concerns such as Mad Cow Disease and Foot-and-Mouth Disease (FMD). As the ban on imports of offals from these countries continues, China's demand for US offals will continue to grow. Hong Kong's re-export of US products to China is not affected by China's stringent custom controls as long as sufficient documents are provided by US exporters and Hong Kong traders..

On the consumption front, Hong Kong's pork consumption has increased over the years. The recurrence of bird flu in February 2002 again helped increase pork consumption. Pork consumption in 2002 may be able to sustain a 5% growth. On the other hand, beef consumption in Hong Kong is expected to drop by 13% because beef is not as popular as pork and poultry in the Chinese diet. In addition, Hong Kong is still experiencing a sluggish economy and a historically high unemployment rate of 7.4%, therefore consumers tend to prefer cheaper meats like pork over more expensive beef.

FMD has had no significant effect on the local livestock industry. According to the Agriculture, Fisheries and Conservation Department (AFCD), the outbreak rate of FMD in Hong Kong is very similar to any other year in general. As a precautionary measure, the government provides local farmers with an updated vaccination protocol advising them to vaccinate their pigs accordingly.

The Hong Kong government has recently enacted a new regulation to control the use of chemicals in food animals. The new legislation prohibits the presence of seven chemicals, which could cause immediate harm to humans, in local and imported food animals in Hong Kong. It also establishes "Maximum Residue Limits" (MRLS) in line with international standards for 37 restricted chemicals in tissues and milk of local and imported food animals. Please refer to FAIRS update (GAIN Report #HK2001) for details.

## Statistical Tables - Meat, Beef and Veal

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Hong Kong | | | | | |
| Commodity | Meat, Beef and Veal | | | (1000 MT CWE) (1000 HEAD) | | |
| | Revised | 2001 | Preliminary | 2002 | Forecast | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Slaughter (Reference) | 0 | 51 | 0 | 48 | 0 | 46 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 15 | 15 | 14 | 14 | 0 | 13 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 72 | 71 | 72 | 59 | 0 | 60 |
| TOTAL Imports | 72 | 71 | 72 | 59 | 0 | 60 |
| TOTAL SUPPLY | 87 | 86 | 86 | 73 | 0 | 73 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 1 | 0 | 1 | 0 | 0 | 0 |
| TOTAL Exports | 1 | 0 | 1 | 0 | 0 | 0 |
| Human Dom. Consumption | 86 | 86 | 85 | 73 | 0 | 73 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 86 | 86 | 85 | 73 | 0 | 73 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 87 | 94 | 86 | 73 | 0 | 73 |
| Calendar Yr. Imp. From U.S. | 14 | 16 | 15 | 16 | 0 | 16 |
| Calendar Yr. Exp. To U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

Note : PS&D production figures include local and imported live cattle for slaughter. PS&D import and export numbers are in carcass-weight-equivalent (CWE) using a 1.36 conversion factor for all fresh/chilled/frozen beef and 1.79 for processed beef. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

Source : Hong Kong Agriculture, Fisheries and Conservation Department

**Table 1 : Supply and Consumption of Live Cattle (head)**

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Local Supply | 51 | 101 | 36 | 120 | 148 |
| Imports | 58,899 | 64,700 | 61,210 | 56,856 | 50,451 |
| Total | 58,950 | 64,801 | 61,246 | 56,976 | 50,599 |

Source : Hong Kong Agriculture, Fisheries and Conservation Department

**Table 2 : Average Retail Prices of Beef Relative to Pork and Poultry (freshly slaughtered)**

| US$/kg | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Chicken (top grade) | $4.70 | $5.28 | $4.73 | $4.49 | $4.62 |
| Duck (top grade) | $3.30 | $3.57 | $3.18 | $2.89 | $2.80 |
| Beef (best quality) | $7.11 | $7.20 | $7.19 | $7.17 | $7.20 |
| Beef (belly flesh) | $5.30 | $5.48 | $5.42 | $5.34 | $5.36 |
| Pork (best cut) | $5.53 | $5.62 | $5.32 | $4.87 | $4.54 |
| Pork Chop | $6.67 | $6.76 | $6.42 | $5.92 | $5.58 |

Source : Hong Kong Censes & Statistics Department
Exchange Rate : US$ = HK$7.75

**Table 3 : Average Wholesale Prices of Live Cattle**

| US$/MT | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Live Cattle | $2,749 | $2,760 | $2,551 | $2,373 | $2,356 |

Source : Hong Kong Census & Statistics Department
Exchange Rate : US$ 1 = HK$7.75

**Table 4 : Average C.I.F. Prices & Market Share of Total Beef Imports by Major Suppliers**

| | 2000 | 2001 | 2002 Jan - Apr Avg. | 2000 | 2001 | 2002 Jan - Apr Avg |
|---|---|---|---|---|---|---|
| | US$/Kg | US$/Kg | US$/Kg | Market Share | Market Share | Market Share |
| China | 1.78 | 1.61 | 1.63 | 29% | 32% | 26% |
| Brazil | 2.24 | 1.96 | 1.59 | 23% | 24% | 21% |
| USA | 4.30 | 4.18 | 3.64 | 25% | 21% | 23% |
| New Zealand | 4.03 | 4.09 | 3.96 | 8% | 7% | 6% |
| Australia | 3.83 | 3.75 | 3.92 | 7% | 6% | 6% |
| Uruguay | 2.51 | 1.99 | 1.62 | 1% | 2% | 5% |
| Argentina | 1.91 | 2.07 | 1.23 | 2% | 3% | 5% |
| Canada | 2.96 | 3.61 | 3.53 | 3% | 1% | 2% |
| WORLD | 2.98 | 2.64 | 2.37 | 100% | 100% | 100% |

**Table 5 : Average C.I.F. Prices & Market Share of Chilled Beef Imports by Major Suppliers**

| | 2000 | 2001 | 2002 Jan - Apr Avg. | 2000 | 2001 | 2002 Jan - Apr Avg |
|---|---|---|---|---|---|---|
| | US$/Kg | US$/Kg | US$/Kg | Market Share | Market Share | Market Share |
| Australia | 5.36 | 5.06 | 5.21 | 49% | 55% | 49% |
| New Zealand | 6.45 | 6.34 | 5.72 | 26% | 26% | 26% |
| USA | 15.94 | 15.13 | 14.89 | 13% | 13% | 13% |
| Argentina | 4.23 | 5.41 | 2.3 | 2% | 2% | 6% |
| Uruguay | 3.51 | 5.65 | 0 | 0% | 0% | 0% |
| Canada | 12.58 | 12.24 | 10.02 | 1% | 1% | 2% |
| Brazil | 2.29 | 1.8 | 2.33 | 5% | 2% | 3% |
| WORLD | 7.26 | 6.88 | 6.48 | 100% | 100% | 100% |

**Table 6 : Average C.I.F. Prices & Market Share of Frozen Beef by Major Suppliers**

| | 2000 | 2001 | 2002 Jan - Apr Avg. | 2000 | 2001 | 2002 Jan - Apr Avg |
|---|---|---|---|---|---|---|
| | US$/Kg | US$/Kg | US$/Kg | Market Share | Market Share | Market Share |
| China | 1.79 | 1.64 | 1.56 | 23% | 25% | 20% |
| Brazil | 2.24 | 1.96 | 1.58 | 27% | 30% | 28% |
| USA | 4.24 | 3.83 | 3.31 | 29% | 24% | 29% |
| New Zealand | 3.82 | 3.63 | 3.46 | 8% | 7% | 7% |
| Uruguay | 2.20 | 1.97 | 1.62 | 2% | 3% | 6% |
| Australia | 2.86 | 2.84 | 2.89 | 5% | 4% | 5% |
| Argentina | 2.16 | 2.11 | 1.79 | 3% | 4% | 2% |
| Canada | 3.51 | 3.26 | 3.24 | 2% | 1% | 1% |

| | | | | | | |
|---|---|---|---|---|---|---|
| WORLD | 2.95 | 2.57 | 2.29 | 100% | 100% | 100% |

**Table 7 :Hong Kong Beef Imports by Categories, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| Fresh/chilled beef | 818 | 959 | 17% | 5,577 | 6,215 | 11% |
| Frozen beef | 12,537 | 13,676 | 9% | 33,219 | 31,332 | -6% |
| Prepared/preserved beef | 2,975 | 3,364 | 13% | 4,933 | 5,180 | 5% |
| Total beef | 16,333 | 18,000 | 10% | 43,769 | 42,727 | -2% |

**Table 8 : Total Beef Imports by Major Suppliers, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2001 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| China | 6,010 | 4,715 | -22% | 9,813 | 7,697 | -22% |
| Brazil | 3,248 | 3,817 | 18% | 6,905 | 6,084 | -12% |
| USA | 3,185 | 4,209 | 32% | 12,996 | 15,333 | 18% |
| New Zealand | 1,416 | 1,146 | -19% | 5,677 | 4,538 | -20% |
| Australia | 1,027 | 1,100 | 7% | 3,667 | 4,318 | 18% |
| Uruguay | 463 | 850 | 84% | 1,003 | 1,375 | 37% |
| Argentina | 300 | 816 | 172% | 804 | 1,006 | 25% |
| Canada | 122 | 277 | 127% | 628 | 972 | 55% |
| WORLD | 16,333 | 18,000 | 10% | 43,769 | 42,727 | -2% |

**Table 9: Chilled Beef Imports by Major Suppliers, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| Australia | 421 | 472 | 12% | 2,129 | 2,461 | 16% |
| New Zealand | 258 | 254 | -2% | 1,536 | 1,450 | -6% |
| USA | 86 | 123 | 43% | 1,377 | 1,838 | 33% |
| Argentina | 15 | 54 | 260% | 81 | 125 | 54% |
| Brazil | 11 | 28 | 155% | 18 | 64 | 256% |
| Uruguay | 11 | 0 | -100% | 60 | 0 | -100% |
| Canada | 9 | 19 | 111% | 120 | 192 | 60% |
| China | 0 | 0 | 0% | 0 | 0 | 0% |
| WORLD | 818 | 959 | 1% | 5,577 | 6,215 | 11% |

**Table 10 :Total Beef Exports by Major Destinations, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| China | 1,733 | 3,804 | 120% | 3,134 | 6,137 | 96% |
| Macau | 155 | 154 | -1% | 564 | 524 | -7% |
| Philippines | 5 | 8 | 60% | 31 | 49 | 58% |
| USA | 0 | 0 | 0% | 0 | 0 | 0% |
| WORLD | 1,900 | 3,976 | 109% | 3,767 | 6,753 | 79% |

**Table 11 : Percentage of US Beef Imports to HK being Re-exported to China, Jan - April**

| | MT, 2001 | MT, 2002 |
|---|---|---|
| US Beef Imports to HK | 3185 | 4209 |
| US beef imports to HK being re-exported to China | 1153 | 1779 |
| % of US beef imports to HK being re-exported to China | 36% | 42% |
| | | |
| US beef offal imports to HK | 3416 | 4064 |
| US beef offal imports to HK being re-exported to China | 2721 | 4427 |
| % of US beef offal imports to HK being re-exported to China | 80% | 109% * |

(* Hong Kong traders re-export some of the “2001 old stocks” to China in 2002 and thus making this percentage larger than 100%)

**Table 12 : Beef Offal Imports by Major Suppliers, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| Brazil | 13,012 | 15,787 | 21% | 16,182 | 15,587 | -4% |
| Argentina | 6,408 | 6,763 | 6% | 7,504 | 5,746 | -23% |
| USA | 3,416 | 4,064 | 19% | 8,438 | 9,610 | 14% |
| Australia | 2,627 | 1,447 | -45% | 2,990 | 1,524 | -49% |
| Uruguay | 1,474 | 906 | -39% | 1,916 | 1,098 | -43% |
| New Zealand | 545 | 333 | -39% | 749 | 346 | -54% |

| | | | | | | |
|---|---|---|---|---|---|---|
| China | 419 | 382 | -9% | 490 | 156 | -68% |
| Canada | 304 | 529 | 74% | 706 | 1,383 | 96% |
| WORLD | 29,949 | 31,226 | 4% | 40,760 | 36,633 | -10% |

**Table 13 : Beef Offal Exports by Major Destinations, Jan - April**

| | MT, 2001 | MT, 2002 | % change | Jan - Apr. 2001 | Jan - Apr. 2002 | % change |
|---|---|---|---|---|---|---|
| | Jan - Apr | Jan - Apr | over 2001 | US$'000 | US$'000 | over 2001 |
| China | 20,889 | 23,333 | 12% | 29,587 | 29,586 | 0% |
| Macau | 80 | 142 | 78% | 130 | 247 | 90% |
| Philippines | 0 | 1 | NA | 0 | 2 | NA% |
| USA | 0 | 0 | 0% | 0 | 0 | 0% |
| WORLD | 20,969 | 23,503 | 12% | 29,717 | 29,847 | 0% |

## Statistical Tables - Meat, Swine

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Hong Kong | | | | | |
| Commodity | Meat, Swine | | | (1000 MT CWE) (1000 HEAD) | | |
| | Revised | 2001 | Preliminary | 2002 | Forecast | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Slaughter (Reference) | 0 | 2305 | 0 | 2300 | 0 | 2300 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 167 | 165 | 161 | 163 | 0 | 161 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 260 | 260 | 280 | 286 | 0 | 290 |
| TOTAL Imports | 260 | 260 | 280 | 286 | 0 | 290 |
| TOTAL SUPPLY | 427 | 425 | 441 | 449 | 0 | 451 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Dom. Consumption | 427 | 425 | 441 | 449 | 0 | 451 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 427 | 425 | 441 | 449 | 0 | 451 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| TOTAL DISTRIBUTION | 427 | 425 | 441 | 449 | 0 | 451 |
| Calendar Yr. Imp. From U.S. | 10 | 11 | 10 | 8 | 0 | 6 |
| Calendar Yr. Exp. To U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

Note : PS&D production figures include local and imported pigs slaughtered in Hong Kong. All numbers used in the PS&D table are in carcass-weight-equivalent (CWE), using a conversion factor of 1.51. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

**Table 14 : Supply and Consumption of Live Pigs (head)**

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Local Supply | 305,600 | 355,100 | 415,400 | 445,900 | 465,000 |
| Imports | 2,118,751 | 2,009,200 | 1,853,950 | 1,858,862 | 1,840,454 |
| Total | 2,424,351 | 2,364,300 | 2,269,350 | 2,304,762 | 2,305,454 |

Source : Hong Kong Agriculture, Fisheries, & Conservation Department

**Table 15 : Average Wholesale Prices of Live Pigs (head)**

| US$/MT | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Live pigs | US$2,335 | US$2,312 | US$1,818 | US$1,672 | US$1,638 |

Source : Hong Kong Census & Statistics Department
Exchange : US$1 = HK$7.75

**Table 16 : Average C.I.F. Prices and Market Share of Pork by Major Suppliers**

| | 2000 | 2001 | 2002 Jan - April | 2000 | 2001 | 2002 Jan - April |
|---|---|---|---|---|---|---|
| | US$/MT | US$/MT | US$/MT | Market Share | Market Share | Market Share |
| China | 1,892 | 1,798 | 1,693 | 35% | 38% | 39% |
| Brazil | 1,496 | 1,545 | 1,438 | 23% | 19% | 24% |
| Denmark | 506 | 669 | 635 | 7% | 8% | 4% |
| Netherlands | 991 | 1,254 | 1,037 | 10% | 5% | 6% |
| Germany | 934 | 698 | 640 | 5% | 5% | 5% |
| Thailand | 2,923 | 2,687 | 2,630 | 4% | 5% | 6% |
| Canada | 917 | 1,007 | 813 | 5% | 5% | 5% |
| Vietnam | 1,748 | 1,854 | 1,509 | 4% | 5% | 6% |
| USA | 2,091 | 1,930 | 2,334 | 3% | 3% | 2% |
| UK | 906 | 1,332 | 1,322 | 2% | 1% | 1% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Australia | 3,632 | 2,640 | 2,766 | 0% | 0% | 0% |
| WORLD | 1,535 | 1,564 | 1,498 | 100% | 100% | 100% |

**Table 17 : Hong Kong Pork Imports by Categories, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| fresh/chilled pork | 3,277 | 4,301 | 31% | 9,043 | 11,332 | 25% |
| frozen pork | 52,182 | 56,590 | 8% | 70,905 | 72,460 | 2% |
| salted pork | 1,730 | 1,903 | 10% | 5,217 | 5,983 | 15% |
| preserved pork | 10,480 | 12,713 | 21% | 20,664 | 23,304 | 13% |
| total pork | 67,669 | 75,507 | 12% | 105,829 | 113,079 | 7% |

**Table 18 : Pork Imports by Major Suppliers, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| China | 25,392 | 29,146 | 15% | 45,910 | 49,332 | 7% |
| Brazil | 13,322 | 17,767 | 33% | 20,720 | 25,557 | 23% |
| Denmark | 5,089 | 3,013 | -41% | 3,253 | 1,913 | -41% |
| Netherlands | 4,577 | 4,321 | -6% | 5,384 | 4,483 | -17% |
| Germany | 3,723 | 4,146 | 11% | 3,015 | 2,652 | -12% |
| Thailand | 3,624 | 4,572 | 26% | 9,701 | 12,025 | 24% |
| Canada | 3,534 | 4,086 | 16% | 3,485 | 3,321 | -5% |
| Vietnam | 2,830 | 4,266 | 51% | 5,376 | 6,436 | 20% |
| USA | 2,454 | 1,665 | -32% | 4,624 | 3,887 | -16% |
| UK | 629 | 513 | -18% | 722 | 678 | -6% |
| Australia | 227 | 171 | -25% | 694 | 474 | -32% |
| WORLD | 67,669 | 75,507 | 12% | 105,829 | 113,079 | 7% |

**Table 19 : Pork Exports by Major Destinations, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| China | 12,947 | 11,208 | -13% | 9,904 | 8,640 | -13% |
| Macau | 965 | 1,389 | 44% | 1,350 | 1,775 | 31% |
| Philippines | 174 | 41 | -76% | 249 | 63 | -75% |
| Malaysia | 19 | 35 | 84% | 51 | 100 | 96% |
| USA | 15 | 5 | -67% | 67 | 14 | -79% |

| | | | | | | |
|---|---|---|---|---|---|---|
| WORLD | 14,165 | 12,799 | -10% | 11,798 | 10,774 | -9% |

**Table 20 : US Pork Imports to HK being Re-exported to China, Jan - April**

| | 2001, MT | 2002, MT |
|---|---|---|
| US Pork Imports to HK | 2,454 | 1,665 |
| US Pork Imports to HK being Re-exported to China | 979 | 834 |
| % of US Pork Imports to HK being Re-exported to China | 40% | 50% |
| | | |
| US Offal Imports to HK | 9,662 | 13,108 |
| US Offal Imports to HK being Re-exported to China | 8,903 | 12,204 |
| % of US Pork Offal imported to HK bing Re-exported to China | 92% | 93% |

**Table 21 : Pig Offal Imports by Major Suppliers, Jan - April**

| | MT, 2001 Jan - Apr | MT, 2002 Jan - Apr | % change over 2001 | Jan - Apr. 2001 US$'000 | Jan - Apr. 2002 US$'000 | % change over 2001 |
|---|---|---|---|---|---|---|
| Netherlands | 16,445 | 13,550 | -18% | 12,544 | 9,615 | -23% |
| USA | 9,662 | 13,108 | 36% | 8,965 | 11,522 | 29% |
| Germany | 9,314 | 8,560 | -8% | 7,088 | 5,502 | -22% |
| Denmark | 8,507 | 10,927 | 28% | 7,348 | 7,737 | 5% |
| Canada | 7,317 | 7,271 | -1% | 5,428 | 4,870 | -10% |
| Brazil | 3,372 | 4,001 | 19% | 3,063 | 3,129 | 2% |
| UK | 1,811 | 444 | -75% | 1,175 | 327 | -72% |
| China | 413 | 198 | -52% | 549 | 307 | -44% |
| Australia | 282 | 674 | 139% | 204 | 495 | 143% |
| WORLD | 65,332 | 68,260 | 4% | 53,744 | 50,852 | -5% |

**Table 22 : Pig Offal Exports by Major Destinations, Jan - April**

| | MT, 2001<br>Jan - Apr | MT, 2002<br>Jan - Apr | % change<br>over 2001 | Jan - Apr. 2001<br>US$'000 | Jan - Apr. 2002<br>US$'000 | % change<br>over 2001 |
|---|---|---|---|---|---|---|
| China | 53,627 | 61,364 | 14% | 47,460 | 48,225 | 2% |
| Macau | 198 | 167 | -16% | 141 | 135 | -4% |
| WORLD | 53,825 | 61,537 | 14% | 47,601 | 48,371 | 2% |

Source : Hong Kong Census & Statistics Department

## Narrative on Supply and Demand, Policy and Marketing

### Production

Foot-and-Mouth disease (FMD) has not affected local production. According to the Agriculture, Fisheries and Conservation Department (AFCD), there was no evidence to suggest that FMD in Hong Kong was more serious this year (2002) than in previous years. AFCD continues to remind pig farmers to take precautions against classical swine fever and FMD and have their pigs vaccinated. AFCD has revised and disseminated a vaccination protocol to all pig farmers and encouraged them to follow it. It has been a standing policy that the AFCD vaccinates all imported pigs (except for "to-be-slaughtered" pigs) against FMD and classical swine fever as both diseases are regarded as common viral diseases occurring in pigs in the region.

Hong Kong has currently suspended the importation of live cattle, pigs, sheep and goats from the UK, the Republic of Ireland, France, South Korea, Taiwan and Japan due to the FMD concerns. Actually this measure does not have any impact on Hong Kong as these countries do not export any livestock to Hong Kong even without this import ban.

The 2001 self sufficiency ratio for live cattle and pigs were 0.3% and 23.5% respectively. These figures have remained at more or less the same level over the years. Considering the high costs of livestock production in Hong Kong when compared with Mainland China, it is impossible that the self sufficiency ratio will rise significantly in the future.

### Consumption

Hong Kong people have increased their consumption of pork over the years. Between January - April 2001 and January - April 2002, retained imports of pork increased 17% and that for beef dropped by 3%. These figures evidently indicate that consumption of imported meats in Hong Kong has, for the most part, been pork.

Retained imports of beef & pork, other than freshly slaughtered

| | Jan - Apr 2001 | Jan - Apr 2002 | Growth Rate |
|---|---|---|---|
| Beef | 14,433 MT | 14,026 MT | -3% |
| Pork | 53,504 MT | 62,711 MT | 17% |

Given the increased popularity of pork over beef and the substitution effect with poultry, it is very likely that pork consumption will rise by 5% in 2002. However, the forecast for 2003 pork consumption growth rate is around 2%. The consumption of chilled and frozen beef will increase at the expense of freshly slaughtered beef. Given that consumers prefer pork to beef, local beef consumption is expected to drop by 12% in 2002 and forecast to drop by another 1% by 2003.

**Trade**

Beef

Hong Kong imports of US beef were very strong in 2000 because of relatively low import prices. Higher prices in 2001 led to a decline in US beef imports by 18% last year. Hong Kong's import of US beef is likely to rebound and possibly grow as much as by 30%, and reach 12,627 MT in 2002. Given China's accession to the World Trade Organization (WTO) and its continued economic growth, it is expected that China will import more meat, either directly or via Hong Kong. The growth in beef import in the first four months of 2002 is probably due to the increased demand in China rather than the demand in Hong Kong.

China, Brazil, and the US are the largest beef suppliers for the Hong Kong market, occupying a market share of 29%, 23% and 26% respectively for the first four months of 2002.

There are basically two segments for the beef market. Beef from China, Brazil, Uruguay and Argentina are competing at the low-price end. Beef from the US, Australia, New Zealand and Canada are considered to be of better quality but higher prices. US beef is mainly served at fine dining venues like Ruth's Chris, Mortons and five-star hotels. Food institutions believe that most consumers do not want to spend HK$150 (US$20) extra for US prime cuts. Most consumers are happy to have a New Zealand steak at a lower price. For the first four months of 2002, Hong Kong imported 18,000MT of beef, a 10% growth when compared with that in 2001. However, the growth in imports in terms of value actually dropped by 2% from US$43.8 million to US$42.7 million, indicating that beef prices have dropped over the year. Average price of US beef for the first four months of 2002 was US$3.64/kg, a 13% drop when compared with the average price in 2001. The lower price made US beef more competitive than other countries that provide high quality beef. For the first four months of 2002, US beef imports have grown by 30% and reached 4,209 MT. If the demand in China continues and low prices can be maintained, US beef imports may be able to sustain this strong growth of 30% in 2002.

For the low-price end of the beef market, China has been the dominant supplier. However, for the first four months in 2002, beef imports from China dropped by 22% because of price competition from Brazilian beef. Average price for Chinese beef was US$1.63/kg and that for Brazilian beef was only US$1.59/kg.

Pork

Pork imports are expected to increase 7% in 2002 and 2% in 2003. The prospect of prominent growth for imports is attributed to increased domestic consumption and demand in China. Between January - April 2001 and 2002, pork imports already rose significantly by 12%.  The growth, however, is unlikely to continue throughout the year because China is vigorously enforcing its ban on pork products from South American and most European countries over FMD concerns.

US pork is considered expensive relative to pork from Mainland China. The most popular cuts are loins which are consumed only in fine dining establishments. Due to its unique market segment, the US' major competitors are Canada and Australia.  US exports of pork bellies, bacon and hocks are quite strong. However, Brazilian pork cuts such as loins and butts are well received in the local market. Ham products from China are very popular not only because they are price competitive but also because they suit Hong Kong consumers' tastes.

**Re-export**

Although China joined the World Trade Organization (WTO) in 2001, many Chinese importers still cannot import directly, partly because of the complicated and time-consuming procedures for import permit applications. In addition, many Chinese importers simply lack foreign exchange or the necessary financing from banks to support direct purchases. Exporters find it extremely risky to sell to Chinese buyers on an open account. In addition, Chinese importers are still “new” to international trade and doing business with them directly can be time-consuming. Therefore, Hong Kong will still be able to play the important role as a “gateway” for China for at least the next few years. On the other hand, Chinese beef/pork exporters treat Hong Kong as an export market as well as a “springboard” for other overseas markets. With business services like financing, logistics, transportation, storage and contractual arrangements etc provided by Hong Kong companies, Chinese meat exporters can gain better access to overseas markets.

Hong Kong’s role as a middleman can be evidenced by the size of re-exports of meat from Hong Kong to China. For the first four months of 2002, Hong Kong re-exported 3,804MT of beef to China, representing a 120% growth of re-exports over the same period in 2001. However, the re-export of pork to China dropped by 13% from 12,922MT (Jan - April 2001) to 11,207MT (Jan - April 2002). High quality US beef, even at higher prices, seems to gain acceptance in China whereas pork appears to face keen competition from the lower priced pork in China. For the same reference period (Jan-April) in 2002, Hong Kong re-exported 23,333MT beef offals and 62,364MT pork offals to China, representing a growth of 12% and 14% respectively when compared with the same period in 2001. Importers commented that both beef and pork offals and poultry products are selling extremely well in China because of the lack of competition from Brazil, Netherlands, and Argentina whose products are currently banned in China. The ban does not affect US beef re-exports to China as US products are in a market segment different from other suppliers. Hong Kong imports of US beef and pork offals probably will continue to grow and that will be reflected in 2002 trade figures.

Hong Kong’s beef re-export figures to China in the past three years have reflected China’s huge demand for imported beef over the years. As a normal business cycle, and due to the ban of Brazilian beef products to China, Hong Kong’s beef re-export to China will probably slow down a little this year. With the prospect of more meat consumption after September and based on the first four months’ growth rate of 120%, it is possible that Hong Kong’s beef re-export to China for 2002 may grow as much as 100% and reach over 10,000MT. However, the re-export situation for pork is not very optimistic. The reason for the lower estimate is due to the current large overstocks left in Hong Kong resulting from China’s stringent control over banned products. In addition, imported pork meat is considered too expensive for the China market. Given the keen competition from Chinese pork and the ban, it is likely that the pork re-exports to China will drop by 13% in 2002.

Hong Kong re-exports of beef and pork to China (1999-2001)

| | 1999 | 2000 | 2001 | Growth 99/00 | Growth 00/01 |
|---|---|---|---|---|---|
| Beef | 2,596MT | 4,436MT | 5,461MT | 71% | 23% |
| Pork | 24,968MT | 31,730MT | 36,038MT | 27% | 14% |

Hong Kong re-exports of beef and pork to China (Jan-April 2000-2002)

| | 2000 | 2001 | 2002 | Growth 00/01 | Growth 01/02 |
|---|---|---|---|---|---|
| Beef | 1,195MT | 1,733MT | 3,804MT | 45% | 120% |
| Pork | 7,421MT | 12,922MT | 11,207MT | 74% | -13% |

Hong Kong's re-exports to China usually are initially purchased in the Southern part of China regardless of final destination. If the goods are destined for other parts of China, they are delivered there by further road transportation from the South.

**Other market issues**

Effective April 1, 2002, all Hong Kong importers of chilled meat will have to apply to the Food and Environmental Hygiene Department (FEHD) for an import permit. All consignments will then be subject to visual inspection prior to release for sale in the market. FEHD officials have given assurances that the new procedures will not impede trade, but are being imposed to facilitate trace-back of chilled meat products sold in Hong Kong. Prior to April 1, only ground meat imports required import permits. Please refer to GAIN Report #HK2012 for details.

Hong Kong consumers still prefer fresh meat over chilled/frozen meat. They normally shop at traditional wet markets for freshly-slaughtered meat. In May 2002, the two local leading supermarket chains - ParknShop and Wellcome initiated a price war on pork. They priced their pork at $15 to $22 per catty (US$3.15 to US$4.6 per kg). Previously, prices ranged from about $20 to $34 a catty (US$4.2 to US$7.15 per kg). Meat traders, hawkers and butchers at the wet markets strongly opposed the price war. However, the lower pork prices have attracted some consumers (who used to shop at wet markets) to shop at the cleaner and more hygienic supermarkets. It is expected that this trend will continue if the price difference between meat sold at wet markets and supermarkets remains small.

The Chinese government lifted the export quota on chilled meat for supply to Hong Kong in January 2002. Hong Kong consumers are very concerned about the safety of the meat that will be imported. In addition, fresh meat traders, butchers and hawkers at wet markets are worried that the import of chilled meat from China will force them out of jobs. Given the food safety and local employment concerns, the Hong Kong government has not yet allowed fresh/chilled meat to move freely into Hong Kong. The FEHD is still working with China's General Administration Quality Supervision, Inspection and Quarantine (AQSIQ) to reach mutually-agreed inspection procedures and safety standards before accepting shipments to Hong Kong. It is anticipated that an agreement will be reached by the 4th quarter of 2002 and some supermarket chains are already preparing to sell more chilled meat from China. Chilled meat from China is cheaper than fresh meat and that will attract more people to switch from traditional wet markets to supermarkets. As mentioned earlier, US beef is considered more up-market and therefore should not be affected too seriously by this market change. However, US pork, given its higher price, will be affected more by chilled pork from China.

**Policy**

The Hong Kong government has recently enacted a new regulation to control the use of chemicals in food animals. The new legislation prohibits the presence of seven chemicals, which could cause immediate harm to humans, in local and imported food animals in Hong Kong. It also establishes "Maximum Residue Limits" (MRLS) in line with international standards for 37 restricted chemicals in tissues and milk of local and imported food animals. Please refer to FAIRS update (GAIN Report #HK2001) for details.

Hong Kong government is also planning to amend the Public Health (Animals and Birds) Ordinance and Regulations to strengthen controls over the importation of fish, amphibians, animal parts, and fodder. The Ordinance, if amended, will give more power to the Director of AFCD to set certification requirements for the importation of animal parts when necessary, without going through a lengthy legislative process. One area where the Hong Kong government intends to impose the proposed requirement is meat and bone meal derived from ruminants with a view to preventing the introduction of BSE. Also, meat imported from countries where serious veterinary diseases occur, such as FMD, may be subject to certification when considered necessary.